

*THEFT RATES AND LOSS VALUES
ARE CLIMBING. HOW CAN YOU
SECURE YOUR WAREHOUSE?*



PILFERAGE PREVENTION



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WAREHOUSE THEFT IS RISING

HIGHER LOSSES, HIGHER FREQUENCY, HIGHER STAKES IN 2024-2025 DATA

“Most people are honest, but if you have security gaps, there will always be a small minority who can steal a lot of valuable inventory or tools. Most pilferage is committed by people inside the operation, sometimes on their own and sometimes in collaboration with outsiders. Basic security features work to deny access, deter theft and detect it when it happens.”

—Dale, Employee-Owner since 2023
Warehouse Manager



THE COST OF THEFT IS RISING, BUT YOU CAN MANAGE IT

Warehouse theft is rising, driven by increasingly organized schemes and higher-value losses documented across the supply chain. Thieves are becoming more sophisticated.

Recent industry reports confirm growing incidents involving fraud, false damage claims, and manipulated inventory counts. These crimes create indirect costs, including higher insurance rates, operational disruptions, stock shortages and lower employee morale. What drives these trends? And how can you strengthen security inside your warehouse and across your supply chain?

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WHY DOES PILFERAGE HAPPEN?

MOTIVATIONS FOR THEFT RANGE FROM FINANCIAL TO PERSONAL

What are the vulnerabilities?

Freight yards and warehouses are major theft hot spots and frequent targets. In many cases, an inside employee either is the thief or collaborates with outsiders. Thieves can be sophisticated and can falsify records or distract others from the crime.

If you think your facility is immune because you aren't stocking high-value, consumer-oriented goods, consider this: once stolen, almost anything can be resold or traded. Everything from scrap metal to plastics is targeted. Many products are made of valuable metals, wiring or components.

It's all about motivation

In industrial security, many experts go by the 10/10/80 rule:

- About 10% of people will never steal.
- Another 10% are predisposed to steal whenever they can.
- 80% can be influenced by culture, controls and opportunity.

That 80% of people are emboldened when theft is easy, the payoff is lucrative and risks are low. Controlling these factors reduces pilferage risks in the fluid 80%.

When and why do the 80% steal?

When they face financial problems

Pressures at home drive people to do things they normally wouldn't. If an employee is facing monetary problems, the risks escalate. While you might offer employees financial planning and budgeting assistance through company sponsored workshops or counseling to help employees who are having financial struggles, you have very little control of how they use that knowledge.

When they feel entitled

Many people believe they are owed more than their compensation. Creating an environment of fairness and clear expectations helps reduce entitlement attitudes. Help employees understand how theft actually impacts wages, then empower them to participate in anti-theft and security efforts. Create a culture of honesty that begins with managers. Fair treatment combats entitlement thinking.

MOTIVATING FACTORS



FINANCIAL STRESSES

- *Stressful economic conditions*
- *Medical bills and stresses*
- *Poor financial skills*

SELF-JUSTIFICATION

- *"They owe me"*
- *"I need this"*
- *"It won't be missed"*

OPPORTUNITY KNOCKS

"Cravable" items: concealable, removable, available, valuable, enjoyable, or disposable items are at the greatest risk.

When opportunity arises

Understanding what a thief may be looking for and how to thwart their attempts to steal can reduce employee theft losses. Controlling opportunity is the best way to reduce theft by that persuadable 80% of people.

The most applicable theft prevention techniques are about identifying access weaknesses and limiting both temptations and pilferage opportunities.

THREAT ASSESSMENT

“No one likes to think so, but many operations enable corrupt employees to steal because they don’t actively combat it. Thieves work at the edges of institutional awareness. You have to close those gaps with a combination of culture, operational decision designs and intentional access control.”

—Scott, Employee-Owner
Account Executive

shoptalk



Assess your operation for security

Six basic assessment factors:

- **The hiring process** - execute due diligence before hiring. Background checks and interviews are your first and perhaps best line of defense against pilferage.
- **Audit your facility** - lay out to tighten access to cravable inventory and tools.
- **Defend the perimeter** - evaluate building exterior perimeters to reduce external opportunities.
- **Focus on access** - evaluate facility access points to make it harder to enter and/or remove goods.
- **Scrutinize shipping & receiving procedures** - limit opportunities for employee collusion with truck drivers, outsiders and each other at the vulnerable dock area.
- **Get your people involved** - institute security awareness programs so that employees participate in reducing theft.

When you take action on security, you can see benefits beyond theft reduction, including higher productivity, better processes, improved morale and lower indirect theft-related costs.



Know why, where and how they'll hit

Key criteria: value per ounce

When a product has a high per pound value, is easily disposed of through selling, trading or pawning, and is an enjoyable item to own, you have all the ingredients for theft.

Tobacco products are at high risk in grocery distribution operations. Smartphones, tools, electronics and other small, valuable items are always at risk, but this is only the highest risk; thieves frequently steal bulk items if operations aren't adequately prepared. Raw materials in bulk industrial goods have become increasingly valuable and desirable—things like certain metals or wire.

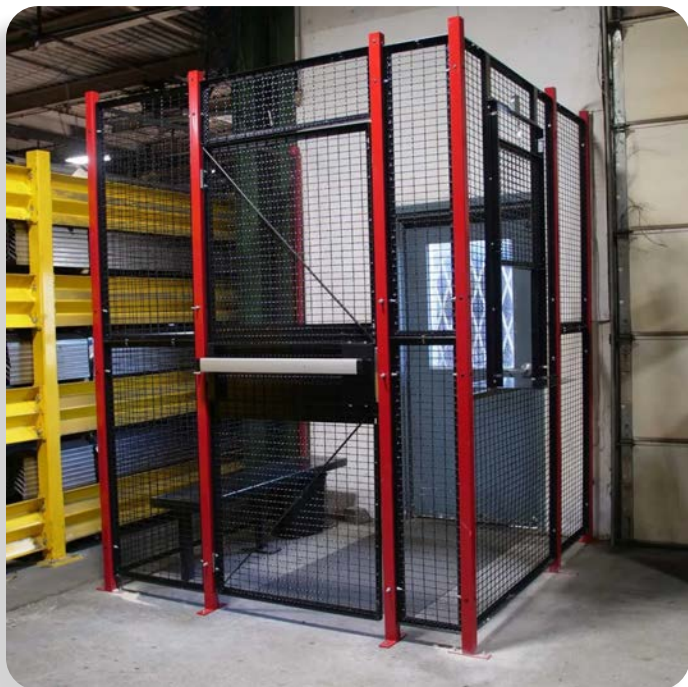
Ease of access, transport and concealment

If an item can be tucked into a pocket, it's a prime target. If it's easy to remove from the facility either on an employee or in a container of some kind it's more likely to be targeted. If there's easy access to product, if individual products have high dollar value and are easily traded or sold, you'll want to secure them better.

The higher the dollar value, the easier it is to move and the more popular or appealing the product is, the greater the likelihood that product will be stolen.

PREVENTING COLLUSION

DEALING WITH OUTSIDERS WITHIN WAREHOUSE TRANSACTIONS



Access cages allow visitors to enter your facility, but prevent them from wandering around without someone admitting them. Access control helps you create a first line of defense against collusion-based pilferage.

Most people are honest. Guard against the rest

External thieves start small and work their way into your operations by giving gifts or building personal relationships with an employee in order to get choice delivery slots or access to goods. They seek employees who will short orders, load stolen goods into trailers or conceal stolen goods. This type of collusion is difficult to detect.

Ways to combat collusion

- Utilize a driver lounge where drivers can wait during loading or unloading. Never allow them—or other visitors—to remain in the dock and staging areas unsupervised.
- Use set scheduling for each delivery and pick-up if possible. Truckers prefer a set schedule so they can better plan their routes and keep dispatch informed, so they will appreciate this level of detail in your planning.
- Rotate the receiving door assignments consistently so that truckers aren't working with the same receiving team each time. This minimizes collusion opportunities.
- Make sure truck drivers provide accurate information about their cargo. Compare it against your copy of the Advance Shipping Notice (*more below on this step*).

The receiving area

The receiving area is a target for thieves because there is so much activity that goods can be lifted and concealed:

- Shipping counts can be altered on the trucker's copy of the *Advance Shipping Notice* (*see more below*) and driven away with the trailer without ever going into stock.
- Goods can be signed off, but left on the truck for removal.
- Fraudulent damaged goods write-offs can occur.
- Merchandise is left in a staging area for extended times, leading to easy removal after the count has been done.
- Receiving counts are not conducted or altered and received goods not inspected for correct content and quantity.
- Shipping seals not recorded properly or are broken in transit.

Use the advance shipping notice

- The Advance Shipping Notice is one of your best security tools, so make good use of it. Look for alterations of any kind on the trucker's copy—usually this is a red flag for fraud.
- Compare inbound cargo counts against copy directly from vendor, not the trucker's copy.
- If in doubt, contact the vendor company and double check.
- Check shipping seals. Broken seals are another red flag.

Follow these steps to guard against cargo transit theft:

- Upon arrival make sure all doors including trailer side doors have seals and that none of the seals have been broken.
- Never let the trucker remove shipping seals. Question and document any discrepancy in seal condition or numbering.
- Seal numbers must match those on the Advance Shipping Notice. Also verify that all seals are accounted for.
- Count your shipment carefully if your load is "less than load." There may not be seals on the trailer, so these loads are easy prey.

RECEIVING AREA SECURITY

PUT THE RIGHT PEOPLE IN THE RIGHT PLACES AT THE RIGHT TIMES



Pay attention to packaging

One of the best indicators of in-transit theft is damaged stretch-wrap around palletized materials. Thieves will often attack the center of the pallets by removing loads in the center, rearranging top layers and then re-wrapping the pallet to conceal the loss.

What to watch for in packaging

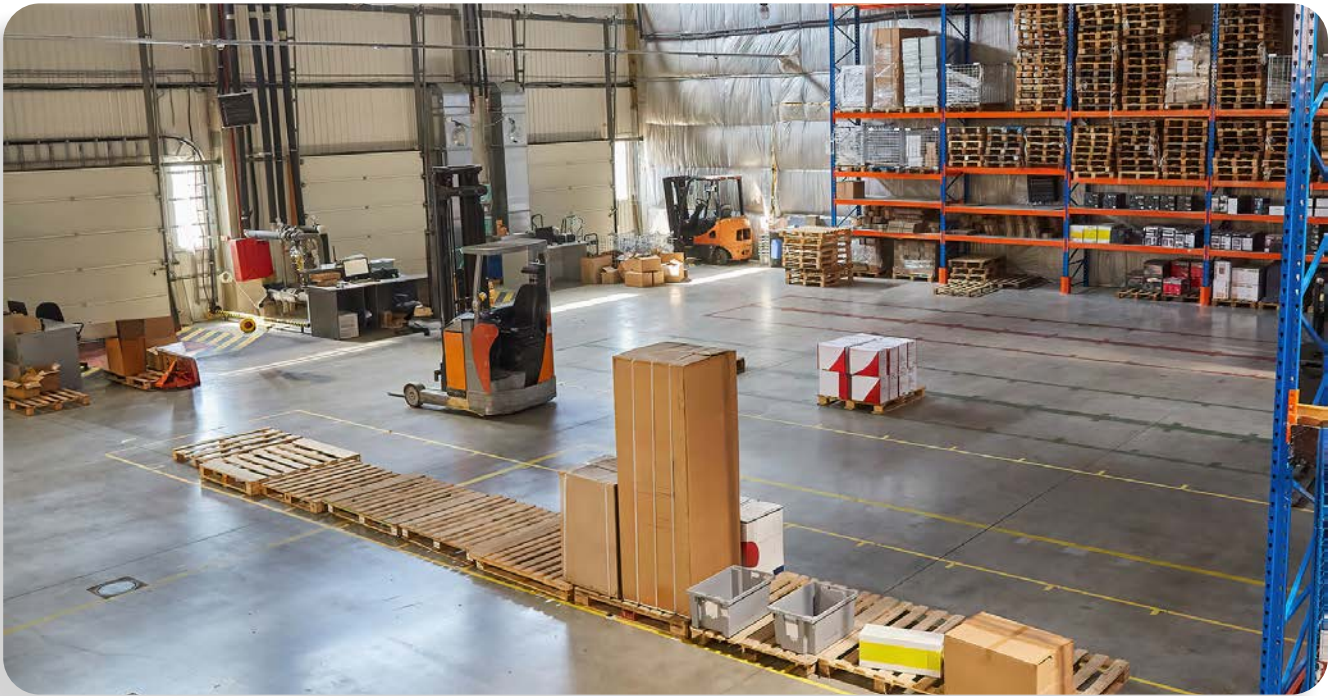
- Count stock on pallets with less than pristine stretch wrapping. Immediately break down the pallet and do a count to assure correct quantity has been received.
- Stretch wrap palletized goods for out-bound shipping. Make sure it's smooth and tight. Over wrap pallet top edges to make inner layers too tight to remove goods in the center of the load. Consider ordering stretch wrap with your logo to ensure others can't easily unwrap and then re-wrap your pallets.

Unload practices

- Be sure all goods are removed from the truck and the trailer door closed before signing off on the shipment. Dishonest drivers and collaborators work to see that a part of the load is overlooked in the off-loading but not the count, or may move part of the load back into the truck after the count and sign off is done.

- Make sure two of your employees participate in the count and sign-off. Rotate count responsibility among authorized managers and coworkers to make collusion harder.
- Managers should conduct spontaneous walkthroughs and spot checks during receiving operations to disrupt would-be thieves and accomplices. Don't let them feel comfortable.
- Control driver movements. Another unload issue is allowing the truck to remain at the receiving dock unaccompanied. Where is the driver? Is he wandering storage or receiving areas? Place restrooms and lounge areas close to docks and partition them off so that truckers and other unauthorized visitors don't have easy access to inventory or staged shipments. Consider installing driver cages with dispatch windows at personnel doors.
- Don't stage product for thieves. Is product staged near your receiving doors? This is an opportunity for a driver or collaborator to move staged product into a truck unnoticed. Monitor staged materials carefully at all times or secure it in locked, partitioned cages to prevent access until it's ready to move.
- Watch the trailers. To assure goods are not moved back into the trailer, check that the truck is empty, and then close the trailer doors. Go one step further and close the dock door.

DAMAGED GOODS FRAUD



THE DAMAGED GOODS SCAM

Fraudulent damage claims cause significant losses for both you and the sender by claiming fake damages, then stealing the supposedly-damaged items.



This fraud takes place when receiving of goods is not monitored or only lightly monitored.

A dishonest employee can mark perfectly fine targeted goods as damaged, then write it up as returned to the sender. Then those goods are concealed for later removal.

Vigilant monitoring is your shield

Monitor the percentage of damaged goods claimed on arriving shipments. Patterns emerge if this represents ongoing fraud.

- Take pictures of the damaged goods. People who know that photographic evidence exists will be less likely to make false damaged goods claims.
- Require a two-person sign-off on all damaged goods so that there is a clear line of responsibility.
- Process the allegedly damaged goods into your system; don't discard them until independently checked.
- Allow only authorized personnel with a clearly defined process to inspect damages and sign off on them.
- Goods are sometimes left unattended in staging areas. Thieves can damage or remove product or swap damaged goods.
- Monitor staged goods or store them in a secure area. Specially designated areas may be difficult to maintain in busy operations, but it can be as simple as a specific side of the shipping docks
- Store incoming inventory as quickly as possible to limit theft opportunities. Leaving items in staging or shipping invites both pilferage or fraudulent damage claims.
- Shrink wrap palletized loads to limit access and protect the goods from routine damage.

STORAGE AREA SECURITY

ACCESS CONTROL IS THE KEY TO SECURE STORAGE

Although product in trucks, on docks and waiting in shipping is exceptionally vulnerable, storage areas are also prime pilferage targets. Thieves target valuables wherever they are in your system. They look for gaps and vulnerabilities, and storage areas present ample pilferage opportunities.

Secure storage solutions: access limits

People from other departments and sections of the facility have no business being in storage areas unless you authorize it and can track it. If they aren't there to pick, count or replenish, why? Security is about access, so the fewer people who can access desirable inventory, components or expensive tools, the better.

- Design your facility for security. Control non-employee access to goods as referred to under the Collusion section of this document.
- Track workers near high value areas. Use area coded ID badges if necessary, and provide temporary assignment badges to workers doing special work in the storage zones.
- Restrict access to storage zones. If possible, have only one entry and exit point for storage zones and put exit alarms on all other doorways to prevent goods from disappearing through other entry points. The more entry and exit points, the more difficult the security can be for desirable items.

- Store desirable goods out of reach. Keep bulk amounts of craveable goods on upper rack levels. Identify your most vulnerable inventory and make sure access is restricted.
- Cage your high value items. Store tools and valuable goods behind lockable partitions, in secure racks, or in special cages.
- Designate high-security storage areas for the most vulnerable and desirable goods. These areas can be more tightly controlled.



PILFERAGE PREVENTION DURING PICKING AND PACKING OPERATIONS



Pickers and packers have access to every SKU in your operation. This creates opportunities to short the system at multiple points.

- **Focus on people.** Due diligence practices like background checks are critical to security in positions where access to valuable inventory is being transported, picked or packed.
- **Culture is critical.** Incentives that encourage accurate picks help reduce pilferage. Make security a team activity.
- **Encourage employees to report odd discarded packaging materials.** This is a red flag for theft. Thieves remove packaging in order to better conceal the stolen goods.

- **Use updated technology.** Weighing systems combined with WMS can calculate the correct weight of a picked order, before it's picked, afterward and before it ships. This gives you data to identify whether something has gone missing from the order at any point along the pick-to-pack process. Newer camera and sensor systems can help pinpoint inventory bleed and security weak points in the system.
- **Consider automation.** Goods-to-person automation like carousels and AS/RS are lockable and less accessible. They also track orders, inventory, access identification and pick history. *See details on automated systems and security on next page.*



INVENTORY MANAGEMENT PRACTICES DISRUPT SYSTEMS OF THEFT

Good inventory practices enhance security

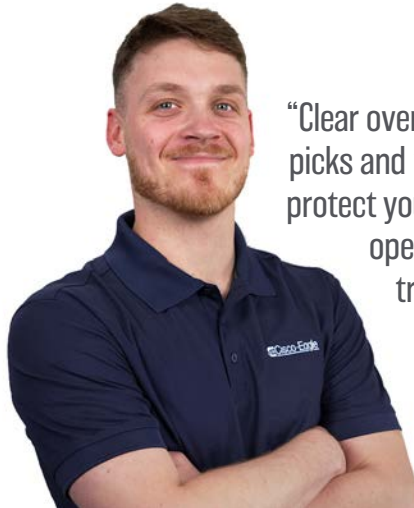
- **Take daily counts** as a preventive audit process and make sure employees know there is an audit daily to reduce risky behavior. This discourages dishonest behaviors.
- **Audit often.** Audits provide valuable links to who was working when the count was off. If you see a pattern in personnel present, you may have a thief on your radar already.
- **Consider RFID tagging or other electronic tracking technologies** for instant inventory counts and to track goods not found in their assigned bins. This can often reveal where thieves are concealing goods for later retrieval.
- **Electronic inventory management** is valuable in expediting processing through customs check points during transit, as the load is easily 'read' and accounted for.
- **Consider cycle counting**—a scheduled program of inventory management through frequency, regularity and selectivity.

Unmonitored goods are vulnerable at all points between staging and storage. You count at receiving. Do you count as goods are slotted into storage positions?



SECURITY & AUTOMATION

GOODS-TO-PERSON TECHNOLOGIES ARE INHERENTLY SECURE



“Clear oversight is your best defense against pilferage. When people know transactions, picks and putaway are reviewed, they’re less tempted. Precise control and accountability protect your business, its assets and its inventory. It’s important to do these things openly. Track it and make sure people know it’s happening. Automation makes tracking simpler, more effective and faster.”

— Chance, Employee-Owner,
Account Executive



Security Feature	Description
User Authentication	Restricts access via password, RFID, or keycard to authorized users only.
Role-Based Access Levels	Defines permissions by user role (operator, supervisor, admin) for secure control of tray access.
Access Logging & Audit Trail	Records all storage and retrieval actions with user, date, and time for complete traceability.
Tray Locking Between Transactions	Prevents unauthorized access to trays during idle or transition periods.
Secure Software Integration	ERP/WMS integration supports encrypted communications and full transaction visibility.

VIDEO



Panel discussion: goods-to-person and inventory security

AS/RS systems, VLMs and carousels are built for speed and storage density, but they’re also controlled access points for parts, tools, high-value inventory and other protected loads.

Access control is baked in

Multiple security options include password, keycard or RFID based login controls to access the unit for AS/RS and carousel systems. This lets you control and track personnel access. You can set user-level permissions for specific trays, totes or storage positions. Trays can be automatically locked between transactions to prevent unauthorized access.

SHIPPING & STAGING SECURITY



Outbound staging areas are highly vulnerable to theft when goods are unsecured and unwatched. It's easy to steal small quantities of goods, but entire pallets can be pilfered in collusion with a truck driver. What has been said in the Receiving section holds true for shipping, but there are additional considerations.

Staging area security measures

- Keep staged goods secure until loading time; don't leave picked orders loose and available.
- Shorten the staging process and move goods immediately onto the waiting truck. This means you need to schedule shipment picking carefully to coincide with truck arrival times.
- Palletize and tightly stretch-wrap all goods to reduce quick access to staged product.
- Unauthorized personnel should never have free access to your docks, stock or storage areas.
- Keep truck doors and dock doors closed until the start of loading. This keeps other goods from finding their way into the trailer with the assistance of thieves.
- Count and document the load as it enters the truck. Sign-off needs to be by two employees who participated in the count.
- Count the load again - after all loading is completed - and just prior to sealing the truck doors.



Above: folding security gates are an easy way to secure dock doors while you maintain visibility, access, and air circulation.

- Never let drivers apply the seals. Truckers can keep a roll of seals handy in the cab and substitute one of their seals for your seal. They then take your seal and apply it during transit—after they've removed some of the load.
- Notate the seal numbers on shipping documents. This alerts the receiving company to potential tampering.
- Keep your supply of seals secured. They are your theft deterrent tool during transit. If you allow unauthorized access to seals, you're helping the thief lay claim to your goods.
- Utilize temporary gates. If you keep dock doors open during work shifts, consider using scissor gates that help prevent people from wandering inside through an open door.

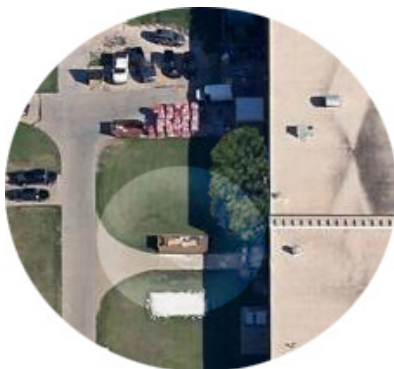
WAREHOUSE PERIMETER



WHAT ARE THE VULNERABLE POINTS—AND HOW CAN YOU DEFEND THEM?

Thieves are ingenious when it comes to hiding stolen goods. That's why doing a perimeter audit is vital to secure operations. You should check for anything a thief can hide product in, under, behind or on top of. Here are the vulnerable points of a typical warehouse.

Secure your trash bins and receptacles



Situate your trash dumpsters, containers and recycle bins away from the building, preferably not on the dock side. Thieves use dumpsters as concealment points for retrieving pilfered goods later. If the dumpster must be on the dock side of the building or near the building, fence and lock it to reduce access. Make spot checks for stolen goods. Make it known that dumpsters are spot checked.

Enclose and lock HVAC units near the warehouse



Fencing or otherwise securing ground-installed is critical. to secure utilities and HVAC equipment. This deter scopper and component thieves and helps reduce everyday pilferage. HVAC systems are sometimes used as drop or concealment points for pilferage. Rooftop HVAC installation protects the unit and reduces opportunities for stolen item concealment—when it's possible.

PERIMETER VULNERABILITIES, CONTINUED

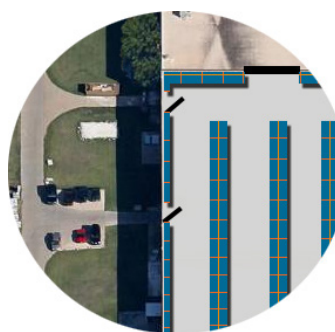
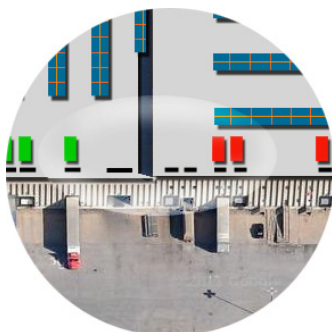
“People tend to focus on their internal workings—the inventory areas, shipping, staging and storage—but the plant perimeter also contributes to pilferage risks. Access to parking lots, HVAC equipment and dock doors should be controlled. This helps reinforce security measures inside the warehouse. It also makes your people safer as they work or enter your building, since you’ll also reduce outside access to your facility.”

— Mike, Employee-Owner,
Account Executive



Separate your receiving and shipping docks

Do this either by proximity or barriers. It's very easy to slip goods from a received shipment and put it in an outbound truck. Splitting these doors removes an easy theft vector.



Lock and monitor all entry and exit points

Doors should be monitored and secured. Fire doors should be locked from the exterior and alarmed to deter people inside from using them for removing goods.

Control bushes, gardens and shrubbery

Don't allow bushes or shrubs near dock doors or other entry/exit points. Shrubby makes a great place to hide goods until the end of a shift, or other convenient time to retrieve hidden goods.



Separate rest rooms and lounge areas from storage areas

Make sure your facilities are accessible and welcoming to visitors without allowing them to enter storage, shipping, staging or receiving areas. If drivers, service technicians or others must enter the warehouse, then make sure there is a limited access path for them to follow that routes them around, not through vulnerable points. Making visitors comfortable while separating them from core facilities deters collusion and makes their visits to your plant safer.